

Message Text

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ACTION EA-14

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OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 IO-14 AGR-20

DRC-01 /189 W

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R 280825Z DEC 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8986

INFO AMEMBASSY SEOUL

CINCPAC HONOLULU HI

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 16702

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: JA KS EAID PFOR

SUBJ: SEVENTH JAPAN-KOREA MINISTERIAL CONFERENCE; JA**N'S ECONOMIC COOPERATION WITH KOREA

**REF: TOKYO 16475

SUMMARY: SEVENTH JAP N-KOREA MINISTERIAL TOOK PLACE IN TOKYO DEC 6 AMID CONTINUING DOMESTIC CRITICISM. AGREEMENTS ON PE DING AND NEW AID REACHED BY WORKING LEVEL OFFICIALS PRECEDING MINISTERIAL MEETINGS. ROK DISAPPOINTED BY DECREASED AID LEVEL (ABOUT \$90 MILLION) WHICH PARTLY DUE OIL CRISIS AND PARTLY DUE KIM INCIDENT. OTHER HAND, ROK GRATIFIED THAT MEETING HELD AS PROMISED WITHIN 1973. TALKS COVERED WIDE RANGE OF ISSUES. JAPAN PROMISED STUDY HOW TO ASSURE CONTINUED SUPPLY NECESSARY MATERIALS TO ROK, AND GAVE ASSURANCE JAPAN HAS NO DESIRE DOMINATE ROK ECONOMICALLY. GOJ FEELS FREE AND FRANK TALKS WERE USEFUL. END SUMMARY.

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1. LONG-POSTPONED SEVENTH JAPAN-KOREA MINISTERIAL CONFERENCE TOOK PLACE IN TOKYO DEC 26. ON DEC 27, E/COUNS

AND EMBOFFS REVIEWED RESULTS OF MEETING WITH SEO, HEAD, NORTHEAST ASIA DIVISION, FONOFF, WHO PROVIDED THE FOLLOWING INITIAL ASSESSMENT:

A) FACT THAT CONFERENCE TOOK PLACE WITHIN 1973 AS PROMISED BY PM TANAKA NOV 2 WAS ITSELF SIGNIFICANT IN THAT IT DEMONSTRATED WILLINGNESS OF GOJ TO STICK BY THAT COMMITMENT EVEN THOUGH ARGUABLY FACT THAT KIM DAE CHUNG HAS NOT YET BEEN ALLOWED TO DEPART ROK MEANS ROKG HAS NOT KEPT ITS SIDE OF NOV 2 BARGAIN.

B) ON OTHER HAND, KOREAN SIDE QTE VERY DISAPPOINTED UNTE BY SIZE OF JAPANESE AID PLEDGES MADE JUST PRIOR TO MEETING. (SEE PARA 2 FOR DETAILS ON AID). JAPANESE PRESS HAD SPECULATED THAT NEW AID OF ABOUT \$150-160 MILLION WOULD BE PLEDGED. THIS AMOUNT, ACCORDING TO SEO, MIGHT HAVE BEEN REGARDED AS APPROPRIATE BY SOME FONOFF OFFICIALS BUT WAS NEVER AGREED TO BY GOJ. AT ANY RATE, NEW AID PLEDGES OF SOME \$90 MILLION DOLLARS (CONTRARY TO SOME PRESS REPORTS CITING \$45 MILLION FIGURES) AMOUNTED TO ABOUT ONE-HALF AMOUNT PLEDGED AT LAST YEAR'S MINISTERIAL MEETING. FONMIN OHIRA EXPLAINED AT CONFERENCE THAT FUTURE OF JAPANESE ECONOMY NOW UNCERTAIN, BUT THAT IF ECONOMY IMPROVES, IT POSSIBLE JAPAN WOULD BE ABLE TO EXTEND ADDITIONAL ASSISTANCE DURING 1974. REDUCTION OF AID PLEDGED WAR PARTLY DUE TO GOJ BUDGETARY RESTRICTIONS NECESSITATED BY OIL CRISIS AND PARTLY DUE TO KIM DAE CHUNG CASE, SAID SEO, NOTING THAT CONFERENCE WAS HELD IN MIDST OF SEVERE DOMESTIC POLITICAL CRITICISM, COMPLETE WITH DEMONSTRATIONS BY KOREAN GROUPS AND OPPOSITION POLITICAL PARTIES IN FRONT OF FOREIGN OFFICE. BOTH SIDES EXPRESSED HOPE THAT BY TIME OF COMPLETION OF ROK'S THIRD FIVE YEAR PLAN IN 1976, GOJ'S GOVERNMENTAL AID COULD BE LARGELY REPLACED BY FUTURE ECONOMIC COOPERATION ON A PRIVATE BASIS.

C) TWO SIDES HAD AGREED PRIOR TO THIS CONFERENCE THAT BEGINNING THIS YEAR, ECONOMIC ASSISTANCE WOULD NOT BE NEGOTIATED AT ANNUAL MINISTERIAL CONFERENCE BUT WOULD BE WORKED OUT AT OFFICIALS' LEVEL ON CONTINUING BASIS AS ROK
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SUBMITS NEW AID PROPOSALS. JAPAN HAD SUGGESTED, AND ROK AGREED, THAT MINISTERIAL DISCUSSIONS SHOULD RELATE TO BROADER ECONOMIC AND POLITICAL QUESTIONS OF MUTUAL CONCERN. KOREANS AS WELL AS JAPANESE QTE WELCOMED UNQTE THESE CHANGES.

D) RATHER THAN EXTENSIVELY DISCUSSING OIL CRISIS, PER SE, KOREAN SIDE EXPLAINED THAT SUCCESS OF ROK'S ECONOMIC DEVELOPMENT PLANS AND ITS ABILITY TO WITHSTAND PRESSURE FROM NORTH DEPENDS ON CONTINUED SUPPLY OF MATERIALS IMPORTED FROM JAPAN, AND EXPRESSED HOPE THAT JAPAN WOULD DO BEST TO ASSURE CONTINUED

SUPPLIES TO ROK. ALTHOUGH GOJ COULD NOT COMMIT ITSELF, IT UNDERTOOK TO STUDY CAREFULLY WAYS IN WHICH IT COULD MEET ROK REQUEST.

E) THERE WAS PHILOSOPHICAL DISCUSSION ABOUT FORM FUTURE RELATIONSHIP SHOULD TAKE. JAPAN EXPRESSED CONCERN AT CRITICISM IN ROK OF ALLEGED JAPANESE ECONOMIC DOMINATION, AND EXPLAINED THAT JAPAN HAS NO DESIRE TO DOMINATE KOREA ECONOMICALLY. ROK SIDE OPINED IT PERHAPS HAD NOT ADEQUATELY EXPLAINED TO KOREAN PEOPLE BENEFITS OF JAPANES INVESTMENT AND AID.

F) KOREA DESIRES ADDITIONAL JAPANESE INVESTMENT IN ITS PETRO-CHEMICAL AND HEAVY INDUSTRIES, BUT JAPAN EXPLAINED AT THE CONFERENCE THAT GOJ NOT ABLE TO DIRECT FLOW OF JAPANESE PRIVATE INVESTMENT INTO KOREA.

G) IN CONTRAST TO LAST YEAR WHEN MINISTERS FROM BOTH SIDES READ PREPARED STATEMENTS TOD THERE LITTLE FREE DISCUSSION, MINISTERS THIS YEAR GAVE GOOD SUBSTANTIVE EXPLANATIONS OF RESPECTIVE COUNTRIES PROBLEMS WHICH OTHER SIDE FOUND HELPFUL. DISCUSSIONS WERE FREE AND FRANK.

H) QUESTION OF KIM DAE CHUNG WAS NOT DISCUSSED AT CONFERENCE, BUT WAS BROUGHT UP IN MEETING ON DEC 27 BETWEEN FOREIGN MINISTERS KIM AND OHIRA. ACCORDING TO PRESS, OHIRA ASKED THAT KIM DAE CHUNG BE ALLOWED TO GO ABROAD BUT KOREAN FONMIN RESPONDED THAT KIM'S APPLICATION WAS BEING SCREENED AND QTE TIME WOULD BE NEEDED BEFORE A CONCLUSION IS REACHED END QTE.

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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FM AMEMBASSY TOKYO
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CINCPAC HONOLULU HI

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 16702

2. IN EARLIER CONVERSATION DEC 26, WATANABE, DEPUTY
HEAD, FIRST ECONOMIC COOPERATION DIVISION, FONOFF, EXPLAINED
PRESENT STATUS OF GOJ AID TO ROK AS FOLLOWS:

A) GOJ AND ROKG EXCHANGED NOTES IN SEOUL DEC 24,
COMMITTING TWO OF THREE OUTSTANDING PLEDGES MADE AT 1972
MINISTERIAL MEETING. NOTES PROVIDE FOR: I) TIED COMMODITY
LOANS OF Y15,400 MILLION (\$55.1 MILLION). OF THIS AMOUNT,
LOAN OF Y7,700 MILLION WILL BE EXTENDED BY JAPAN'S EXIM
BANK AT 5 PERCENT OVER 15 YEARS (INCLUDING 5 YEARS' GRACE).
OVERSEAS ECONOMIC COOPERATION FUND WILL PROVIDE Y7,700 MILLION AT
3.5 PERCENT OVER 20 YEARS (INCLUDING 7 YEARS' GRACE). II) TIED
LOAN OF Y6,200 MILLION (\$22.1 MILLION) FROM EXIM BANK FOR EXPORT
PROMOTION. TERMS WILL BE 5.25 PERCENT OVER 20 YEARS (INCLUDING
7 YEARS' GRACE).

B) AT WORKING LEVEL MEETINGS DEC 24 AND 25 JUST PRIOR
TO MINISTERIAL, AGREEMENT WAS REACHED ON NEW AID PLEDGES BY
JAPAN: I) AN ADDITIONAL Y820 MILLION (\$2.94 MILLION)
WILL BE LOANED FOR AGRICULTURAL DEVELOPMENT PROJECTS.
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II) YEN 11,880 MILLION (\$42.4 MILLION) WILL BE LOANED FOR
THE DAE CHEON MULTI-PURPOSE DAM CONSTRUCTION PROJECT.
DETAILS OF THESE LOANS WILL BE DETERMINED IN SUBSEQUENT
EXCHANGES OF NOTES. III) ADDITIONALLY, GOJ AGREED TO EXTEND
EXMIM CREDIT FOR POHAN STEEL MILL EXPANSION OF Y12 BILLION
(\$45 MILLION AT 265 YEN/DOLLAR) *T 6 P RCENT OVER 15 YEARS
(INCLUDING 1.5 YEARS' GRACE). WATANBAE EXPLAINED THAT
TENTATIVE AGREEMENT ON THIS LOAN HAD BEEN REACHED IN JULY
1973 SO CONVERSION RATE OF 265 WILL BE USED.

C) PLEDGE EXTENDED AT LAST MINISTERIAL MEETING FOR AID
FOR AGRICULTURAL DEVELOPMENT, NOT YET COMMITTED BY NOTE
EXCHANGE, REMAINS VALID, SAID WATANABE. AS A RESULT OF
RECENT DISCUSSIONS AND NEW JAPANESE PLEDGE (PARA 2B I) PROJECTS
FOR DEVELOPMENT OF AGRICULTURAL INFRASTRUCTURE, FOR FARM
MECHANIZATION, AND FOR FARM ELECTRIFICATION WILL BE UNDER-
TAKEN IN FOUR AREAS: SAPKYOCHEN, GEHWADO, KIMCHANG, AND
CHANGNYEONG. TECHNICAL DISCUSSIONS FOR THE IMPLEMENTATION
OF THIS AID ARE CONTINUING.

3. WIDE-RANGING JOINT COMMUNIQUE CONTAINED FOLLOWING HIGHLIGHTS:

A) BOTH SIDES NOTED IMPORTANCE OF STABLE SUPPLY OF MATERIALS AND ENERGY AND NEED FOR INTERNATIONAL COOPERATION IN THIS FIELD, AND EXPRESSED HOPE THAT OIL SITUATION WOULD SOON IMPROVE.

B) BOTH SIDES EXPRESSED HOPW FOR SUCCESS OF MTN AND DESIRABILITY OF PROMPT AGREEMENT ON REFORM OF INTERNATIONAL MONETARY SYSTEM.

C) KOREANS EXPLAINED POLICY OF DIALOGUE WITH THE NORTH AND PEACEFUL REUNIFICATION, WHICH JAPANESE WELCOMED.

D) BOTH SIDES (IN APPARENT REFERENCE TO KIM CASE) STRESSED THE IMPORTANCE OF DEVELOPING FRIENDLY RELATIONS BASED ON MUTUAL RESPECT FOR SOVEREIGNTY, NON-INTERFERENCE IN DOMESTIC AFFAIRS, AND RECIPROCITY AND EQUALITY.

D) BOTH SIDES NOTED THAT CONFERENCE, HELD IN A FRIENDLY CONFIDENTIAL

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ATMOSPHERE, HAD BEEN VERY USEFUL IN PROMOTING MUTUAL UNDERSTANDING AND RELATIONS BASED ON FRIENDLY COOPERATION. SHOESMITH

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